بنك أبوظبي التجاري ADCB

Mr. Waller's patience

Macro headlines

Warsh and Waller wrestle with wordings while watching wayward workforce and wandering inflation – a tongue-twister markets keep tripping over. Governor Waller's comments yesterday soothed investor concerns, signalling that if August inflation shows continued moderation, he is inclined to support holding rates steady. It was a decisive shift in tone from Warsh's hawkish stance last week, when rising energy prices, geopolitical shocks and uneven labour signals pushed him toward "the work to do". The divergence captures the Fed's current dilemma: inflation progress is real but fragile, while the labour market is stable in trend but erratic in detail. Global macro signals added further complexity. Japan's budget requests ballooned to pandemic era levels as Prime Minister Takaichi's expansionary agenda pushes borrowing costs to three decade highs. The scale – JPY143.1trn – underscores how fiscal policy is amplifying pressure on the BOJ at a moment when markets are pricing a 25bps hike. Meanwhile, global economic activity accelerated to a 27-month high, with the J.P.Morgan Global Composite PMI rising to 53.5 in August. Stronger new orders, employment gains and the first rise in international trade volumes in six months point to broadening momentum. The US services sector reinforced that strength. ISM Services climbed to 55.4, marking 26 consecutive months of expansion. But the widening US trade deficit – up 24.4% to USD 88.6bn – shows domestic demand remains hot enough to pull in imports, complicating the disinflation narrative. Productivity data added another layer: nonfarm business productivity rose 1.4% q/q, but real hourly compensation fell 3.3%, pushing the labour share of output to its lowest level since 1947. That mix – rising output, falling real pay – is precisely the kind of contradictory signal that makes Warsh cautious and Waller patient. Tech news added structural weight. Nvidia's USD12.93bn acquisition of Hugging Face and OpenAI's launch of GPT 6 Astra signal intensifying competition in AI infrastructure and model capability. With AI capex accelerating, the sector remains a macro swing factor even as broader inflation and labour dynamics dominate policy debate.

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Market performances

Markets rallied decisively after Waller's comments, which investors interpreted as a willingness to pause tightening if inflation continues to moderate. The Dow rose 1.18%, the S&P 500 gained 1.06% and the Nasdaq jumped 1.40%. MSCI's global gauge climbed 1.04%, while the STOXX 600 recovered from one month lows. The tone was clear: Waller's reassurance broke the week's risk off momentum. Rates markets responded immediately. The US 10 year yield fell to 4.756%, its biggest drop since late August, after touching 4.818% the previous day. Market pricing for a September Fed hike fell from 63% to roughly 50%. The dollar weakened, with the dollar index down 0.69% and EUR rising to USD1.1634. The yen surged c2% to JPY 155.47, driven by expectations of a BOJ hike rather than confirmed intervention. Markets now price a 75% chance of a 25bps BOJ hike this month, with speculation of a larger move. Bond markets remain caught in crosscurrents. Rising long term yields earlier this week reflected both inflation worries and geopolitical risk, particularly after the latest flare up in the US conflict with Iran. Vice President Vance said the US will not hold talks unless Tehran stops attacking commercial shipping in the Strait of Hormuz – a stance that keeps energy risk elevated. Brent settled at USD95.52/bbl, WTI at USD91.30/bbl, both near six week highs. Gold rose sharply to USD 4,473.40, on falling rates and weakening USD. Improved risk-sentiment also helped digital assets post strong gains.

What's Next

Today's US nonfarm payrolls report is the main event. Consensus expects a 55k gain, with unemployment steady at 4.1% and average hourly earnings rising 0.3% m/m and 3.1% y/y. Participation is expected at 61.5%. After the ADP miss and Waller's dovish tilt, markets will scrutinize whether job creation is slowing enough to support a September pause. Wage growth will be critical: any sign of re acceleration would complicate the Fed's inflation narrative. Canada releases employment data, with expectations for a 17.5k gain and unemployment at 6.4%. Brazil publishes trade figures, while Germany's industrial orders will help gauge whether Europe's manufacturing recovery is gaining traction. Eurozone retail sales, UK construction PMI, and Czech CPI flash will shape the European inflation outlook. Elsewhere, Philippines CPI, Korea's current account, and retail data from Hungary and Romania will provide regional demand signals. Opec+ meets Sunday to discuss output policy – a key risk given recent energy driven inflation concerns. Bank of England Governor Bailey speaks later today, offering another central bank perspective at a moment when policy communication is fragmented. With Warsh and Waller sounding different notes, markets will listen closely for any signal that the committee is converging – or diverging further – as inflation and labour data continue to wander.

Daily Market View

Investment Strategy ♦ September 04, 2026

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.65	0.00	-1.00	4.00
UAE Eibor 3m	4.00	-5.58	5.68	25.88
UAE Eibor 12m	4.34	-1.14	8.15	17.32
US 3m Bills	3.83	-2.80	7.60	12.28
US 10yr Treasury	4.77	-1.00	3.33	27.34
German 10yr Bund	3.34	-3.30	13.70	30.80
UK 10yr Gilt	5.13	-9.60	8.40	20.30
Fixed Income		**1D (%)**	**1M (%)**	**3M(%)**
Global Agg. Index	500	0.44	0.59	-0.13
Global Treasuries	207	0.60	0.65	0.05
Global Corporate	302	0.21	0.41	-0.64
EM USD Sovereign	464	0.23	0.63	-0.22
EM LCY Sovereign	169	0.33	1.31	2.33
Global High Yield	1,914	0.14	0.92	0.97
Currencies				
Dollar Index	98.91	-0.69	-1.01	-0.62
EUR USD	1.1637	0.43	0.95	0.32
GBP USD	1.3544	0.37	0.45	0.90
USD JPY	155.36	-2.20	-1.30	-2.89
Equities				
S&P 500	7,748	1.06	3.44	2.57
Dow Jones	53,686	1.18	2.29	5.92
NASDAQ	26,584	1.40	4.77	-1.01
STOXX 600	649	0.49	-0.01	4.49
DAX	26,003	0.63	1.46	4.87
Nikkei 225	64,214	-0.17	-0.23	-6.12
FTSE 100	10,832	0.70	-0.34	4.83
SENSEX	76,153	-0.55	-2.49	2.43
Hang Seng	25,213	-0.39	-2.59	-1.64
MSCI World	5,001	1.16	3.16	3.18
MSCI EM	1,703	0.16	2.25	-4.73
Regional Equities				
ADX	9,927	0.21	0.13	3.60
DFM	5,844	0.49	0.82	2.76
Tadawul*	11,033	0.19	1.73	2.23
DSM*	9,764	0.13	-3.30	-4.76
MSM30*	7,628	0.28	2.65	2.16
BHSE*	1,939	-0.01	-0.94	-4.98
KWSE*	8,848	-0.21	-0.33	1.11
Commodities				
BBG Commodity Index	143.3	0.06	8.48	4.45
Brent USD/bbl	95.52	-0.12	5.99	-2.34
WTI USD/bbl	91.30	0.32	7.83	-4.92
Gold USD/t oz	4,486.3	2.70	10.88	1.00
Silver USD/t oz	67.0	2.55	16.30	-7.88

Platinum USD/t oz	1,823.3	3.44	10.61	-2.15
Aluminum	3,319.7	0.88	3.95	-11.46
Copper USD/MT	14,359.0	0.03	3.79	3.15
Digital Assets				
Bitcoin	81,470.0	5.27	29.52	25.51
Ether	2,505.2	4.68	34.65	40.80
Solana	104.9	5.26	43.94	47.53
XRP	1.5	8.89	38.66	23.40
Volatility				
VIX	14.32	-5.79	-10.44	-10.83
MOVE	74.68	-6.31	-10.05	1.49

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – September 04, 2025. Performance in local currency terms.

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